

Problems and Strategic Options for Development of Worker Producers Cooperatives¹

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Summary:

The worker producers cooperatives in Bulgaria have rich traditions and history. They develop and function as cooperatives of affiliated manufacturers in the field of crafts, industry and services. Established on the principles of voluntary, mutual assistance and cooperation 116 years ago, today they spur commitment to the cooperative idea in about 14 thousand Bulgarian citizens. In Bulgaria currently operate 251 worker producers cooperatives and 31 worker producers cooperatives of people with disabilities, united in the National Union of Worker Producers Cooperatives.

The main purpose of this article is to present an analysis of the activity of the system of the National Union of worker producers co-operatives in Bulgaria, based on the characteristics of the cooperatives, and to define the strategic directions and priorities for its development.

The article is part of the results of a research project of the University of National and World Economy, Sofia and presents results of a survey of 18% of worker producers cooperatives, 33% of worker producers cooperatives for disabled people and 26% of regional cooperative

unions, members of the National Union of Worker Producers Cooperatives.

Key words: cooperatives, worker producers cooperatives, cooperatives for disabled people

JEL Classification: P13

1. Introduction

During the last decade European researchers have demonstrated increasing interest in the development of the cooperative form of organization. The reasons are sought mainly in the transformation of the traditional cooperatives and their expansion into new areas of activity. These two trends are related as the transformation of cooperative structures simultaneously becomes a motivator for the expansion of their activities into new areas.

Prerequisites for expanding the role of the cooperatives are the three mutually complementing priorities of the strategy "Europe 2020" for smart, sustainable and inclusive growth, outlining the vision of the European social market economy for the 21st century (Doitchinova et al., 2011). Through participation in cooperatives a large number of individuals, often with limited economic and (or) physical abilities get chances for professional and life fulfillment.

The main purpose of this article is on the basis of the characteristics of the

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¹The article presents the main results of resources project on the Development of the System of Worker Producers Cooperatives in Bulgaria in the social market economy (2011-2014)

cooperatives to develop an analysis of the activity of the system of National Union of worker producers co-operatives in Bulgaria and to define the strategic directions and priorities for its development.

2. The theoretical basis

Some authors (Zamagni, 2005) examine the cooperative form of organization in historical aspect as one of the "unexpected fruits of industrial civilization, arising after the capitalist company." According to them there are two possible ways of interpreting this historical fact. The first examines the cooperatives as a response to the "failures" of the capitalist firm. From this perspective, cooperation is a possibility, a kind of compensation for what the capitalist company is unable to receive or guarantee.

The second interpretation considers the cooperative as an administration, which is more advanced in the way how to organize the business in socially advanced systems. In this second understanding are reflected the aspirations of those researchers who view labor as a way of self-realization, not only as a factor of production.

Different practical consequences ensue from these two interpretations. The first leads to an understanding of the cooperative as a useful form, which is intended to remain an exception to the rule, by focusing on a limited range of activities and products. The logic behind this stance is that if the market is called to deal with the failures of the government, the non-profit organizations must deal with market failures. The second interpretation, sees the cooperative enterprise as a form of enterprise into which in the long run, the capitalist form of enterprise can transform.

The cooperative as a voluntarily established organization based on cooperation and mutual assistance among its members acts to satisfy their interests, place a number of challenges to the researchers related to: the motives and reasons that cause the individual to choose

the collective way of accomplishing its goals; specificity in the use of the property; with the cooperative regulatory and distributive mechanisms.

Discussion of the reasons for individual choices for collective action has lasted more than a century. In recent decades, dominates the view that leading is the role of the future strategic objectives towards which individuals with common interests are inclined to sacrifice resources of different nature. The research hypotheses in this case are not supported, giving rise to the formation of a third opinion, according to which individuals become members of voluntary structures for various reasons, not just because of a "threat" or "attractiveness of selected stimuli." This individual motivation can be based on both personal incentives and collective goals (Hagedorn, 1999).

In the search for the essential characteristics of the cooperative, some researchers (Douma, Schreuder, 1998) relate it to the forms of non-market horizontal coordination in which the dominant regulation mechanism is connected with mutual regulation or standardization of values and norms. This is the basis for trust and empathy, which are a prerequisite for the combination of formal with informal organizational norms, developing them and thus reducing the costs of monitoring, control and coercion. In accordance with the main economic postulates, some authors (Cobia et al., 1989) rightly seek links between the nature of cooperative organization and economic principles on which it is based and operates. The success of the cooperative, its productivity and efficiency are directly dependent on the achieved member consensus on the limited resources and their rational spending.

One of the acute discussion problems in cooperative theory is the correlation between the democracy of the cooperative as a form of business organization and its performance. This issue reflects the fact

that it is not enough to use the cooperative to create opportunities to increase the benefits for its members (Doitchinova et al., 2012). To survive in the competitive struggle with other organizational structures, it should be an active and effective business. The basis for this requirement is the development of such "rules of the game", of such framework for action for each member that motivates him to participate. In case there are constant losers, it is reasonable to expect that they will leave the cooperative, i.e. the "principle of relative justice", as some authors refer to it, requires adequate solutions in all areas of collaboration. From here the ability of the cooperative survival depends on finding a fair solution of the main discussion issues. Among them the distribution problem is assigned an indisputable priority. According to some researchers (Olstrom, 1998, Von Pischke, 1996) addressing the issue of equitable distribution is the main prerequisite for the survival of the cooperative. Only by constant balance between costs and benefits can the durability of voluntary cooperation and coordination be maintained.

In many cooperatives distribution is based on the "golden rule" of reciprocity, voluntary self-restraint regarding the used goods, the "sacrifice" of current benefits at the expense of future ones and more. In these cases, individuals recognize that they themselves can fall into risky situations / like their partners / and want to limit the adverse consequences of such an event.

Another solution used in practice is the one of equal distribution of benefits. The history of the cooperative movement shows that the development of the cooperative is accompanied with an evolutionary transition from equal to proportional allocation, taking into account the relative inequality of the participation of cooperative members. Thus ways to improve the stability of the organizational entity were sought. (Zaimova, 2011).

A number of authors (Galera, 2004) interpret cooperatives as organizational

forms, able to adapt to changing economic, social, cultural and political conditions. Summarizing the main cooperative characteristics they consider the course of development of cooperative systems to be transition from sociological model to the joint (mutual) model, and later to the intermediate model, combining the main features of the previous two. Significant differences between the cooperative models are displayed based on the degree of expression and protection of the general interest, goals and attitudes of members of the organizations to non-members.

Many researchers consider changes in the development of cooperatives in three complementary directions. First findings show a reduction of the prevalence and importance of traditional cooperatives to countries' economy. On this basis, it is logical that their evolution should expand and deepen the social orientation of cooperatives. As a result of the first two trends expansion and supply of activities of common interest to citizens from a certain territory are observed.

The development of new cooperatives in the EU is associated primarily with their further involvement in the provision of educational and social services that take place beyond the "borders" of the cooperative members. This new trend is undermining the traditional cooperative model, which is based on economic interest and leads to the opening and willingness to include additional stakeholders sharing the obligations and benefits of the organization. Similarly, the participation of different stakeholders in the decision-making contributes to fostering a sense of social responsibility at local level. Cooperatives provide services that benefit both the members and the local community. This leads to a change in the role of local government structures and from a supplier they become a controller of traditional social activities even in case of new unresolved social and environmental problems.

Subject of a thorough analysis in the scientific community is the cooperative social organization involving many interested stakeholders. Due to the open heterogeneous nature of members and beneficiaries of its services, this new type of organization is reasonably interpreted as a combination of association and cooperative (Borzaga and Mittone, 1997, 12).

Interest in this new form of cooperation has led to the adoption of new laws or amendments of existing cooperative laws in Italy (1988, 1991), Canada (1997), Portugal (1998) and France (2001) or the creation of these organizations on the basis of the normative documents for public bodies (UK), for non-profit associations and societies with social objectives (Belgium) or on the basis of common law (Denmark).

The creation of social enterprises is not an entirely new concept. It corresponds to the original mission of cooperatives to provide services in all aspects of life. They can contribute more to the solution of the problems of social exclusion, unemployment and provision of social, medical and other services can be solved better than conventional organizations.

Potential opportunities of social enterprises are related to the mobilization of local resources for regional development, with the activation of the potential for self-assistance, and with the improvement of relationships among all stakeholders.

Social enterprises are interpreted as an alternative to the bureaucratic organization of the administration in the area of unemployment, integration of vulnerable, excluded and other groups by promoting self-assistance and organizing cooperation at local level.

The social cooperative enterprise is a cooperative with a diverse membership. It is a voluntary association of individuals and legal entities, i.e. private organization based on self-help. Social cooperation can be described as associations of natural or legal persons

for the execution of activities of general interest, irrespective of their legal form.

The most significant difference between the social and conventional cooperatives is the heterogeneity of the membership. Potential members belong to different groups. Most often they are: disadvantaged people; volunteers; employees of the cooperative and partner organizations; representatives of other companies, representatives of public institutions, non-governmental organizations.

Neither the typical form of fundraising associations (annual membership fee), nor the typical form of financing the cooperatives can be used to provide a solid financial basis for the organization. The value of the capital contributions is most often determined by the poorest members.

Theories of supply and demand provide only a partial explanation of the development of entrepreneurial organizations with social purposes. Some authors rightly point out that it should build bridges between different theories to clarify the nature of social enterprises as institutions that are characterized by specific features of supply and demand, which under certain circumstances, have advantage over alternative structures. An initial step in the development of a theory, explaining the presence of social cooperatives is to address the plurality of the organization's goals and motivations of the actors. Of particular interest are the studies of the attitudes of entrepreneurs and workers in social cooperatives, which show that the satisfaction of their employees is influenced by elements other than cash prizes. Hence the crucial importance of the motivational factor in determining the relationship between the agent and the organization. Agents who are highly motivated to inherent relational levels tend to be more satisfied.

The second traditional assumption is that the concept of the company, which interprets its behavior solely on the basis of the production function or as a cost minimizing

device is disputed. The problems of adapting the enterprise to local conditions, taking into account their specific nature are considered more often. In this respect, social enterprises are expected to show some advantages over traditional businesses, thanks to their capacity to incorporate the social aspect in the economic sphere, to develop relations of solidarity locally and to adapt values and activities that meet the new requirements. Integration of different theoretical aspects may contribute to the development of a comprehensive theory of the cooperative enterprise, which can be particularly useful to take advantage of the added value of social enterprises in comparison with alternative institutional structures - public agencies and non-profit organizations.

3. Methodological framework

The main thesis of the study is that cooperatives as one of the main subjects of the social economy will contribute to solving many economic and social problems of a substantial part of the Bulgarian population. In order to prove the main thesis of the study are offer the following key assumptions arising from the purpose and objectives of the project, namely:

- Worker Producers Cooperatives in their economic nature, purpose and tasks have a great potential for development of social services and for a social commitment to low-income populations and people with disabilities.
- Improvement of Worker Producers Cooperatives will transform them into a main cooperative form for a substantial part of the population.

Based on the main thesis and the hypotheses derived specific working research hypotheses have been developed. They are based on the assessment of the proposed relationship and dependencies between the factors of the external business environment which facilitate the impact of the economic policy of the state and the existing legislation on the economic and

financial situation of cooperatives, as well as the business factors related to the creation of a favorable business environment for workers in cooperatives. These factors are particularly important to achieve effective entrepreneurial opportunities for providing adequate financial resources for the development of business and the allocation of funds for the implementation of social activities.

To specify the characteristics, to conduct analysis and evaluation of organizational, economic and management problems of cooperatives and to compare their performance the survey method is used. It studies the intentions and motives of the chairmen of cooperatives and cooperatives for disabled people for their development. Statistical methods are used for information processing and reporting the impact of various factors on the results of the business of the cooperative.

The main sources of information are:

- Survey of Worker Producers Cooperatives and Worker Producers Cooperatives for Disabled People with different specialization in production and activity, size and economic and financial situation from different regions of the country.
- Reported data from financial statements and balance sheets of individual cooperatives seen as typical representatives with different size and activity.

Political, economic, social and technological factors that have a direct impact on the activities of cooperative organizations are the object of the analysis. The analysis focuses on the impact of each of these factors on cooperative organizations:

- political factors - assessment of the state policy on cooperative legislation; conditions for development - the budget, tax and lending policy and others.
- economic factors - assessment of opportunities for economic growth in general and for sectors; conditions for

- competition and equal treatment between operators; employee benefits and others.
- social factors - social policy and practice for development of their social base and opportunities for creating jobs for vulnerable people and people with disabilities.
 - technological factors, included in the analysis, technology solutions and training and qualification of personnel are applied.

Analysis of the factors of internal business environment of cooperative organizations include multiple components, which are important factors for their operation, development and improvement. As with other organizations, the goal of the analysis of the internal environment of cooperative organizations is to reveal the strengths and weaknesses of the organization. This is depicted through the methods of the so-called extended SWOT analysis, which examines various strategies to manage combinations of internal and external factors.

For the purposes of the scientific research linked with the analysis of the system of Worker Producers Cooperatives a questionnaire with 46 questions clarifying the external and internal environment of the system and its activities is drawn up. Closed and open questions are used. Closed questions explain the attitude of respondents, as well as the range of issues that are of special interest to the national level of the management of cooperatives.

4. Analysis of survey results

The survey was conducted in June 2012. It includes 50 Worker Producers Cooperatives (WPC), Worker Producers Cooperatives for Disabled People (WPCDP) and Regional Cooperative Unions of the National Union of LWC. Thus the subject of analysis are: 18% of WPC, 33% of WPCDP and 26% of the Regional Cooperative Unions.

The Cooperatives included in the study are located throughout the country in 23 regions,

- three units include Bourgas, Varna, Rousse, Sofia-city and Blagoevgrad, where there are a large number of cooperatives and Labour Working Cooperatives for Disabled People.

Part of the cooperatives have a long history and traditions. They were created over a period of almost seventy years – from 1924 (WPC "Solidarity" Ruse) until 1991. In many cases, when the year of creation is 1991, the cooperative is not newly created and has been restored and re-registered in that year.

Despite the name "Worker Producers Cooperatives", in the majority of cooperatives differences between the number of members and the number of their employees were observed, thus the labour participation is not an obligation of membership. The number of members in the cooperative varies widely from 8 to 210 members, and the number of employees in the cooperative is between 6 to 210.

In small part of cooperatives (10%) only those members who are both owners and workers participate using the products and services in Figure 1.

There is a variety on the subject of activities of the cooperatives. The cooperatives in the garment industry, services, metal, furniture, etc. have the largest share (Figure 1). The classification of the cooperatives is based on their core activity, which explains the provisional nature of the structure.

To assess the state policy towards cooperatives some statements were formulated to which the chairmen of cooperatives have expressed their view using the five-point scale ranging from "strongly disagree" to "strongly agree." The majority of the Chairmen of the cooperative assess the state policy to the cooperative movement as rather indifferent. (Table1).

At the same time they agree that there is no state and political interference in the activities of the cooperatives. This is confirmed by 51.8% and 61.5% of respondents in WPC and 50% of WPCDP respectively. There is a considerable number of respondents who chose not to

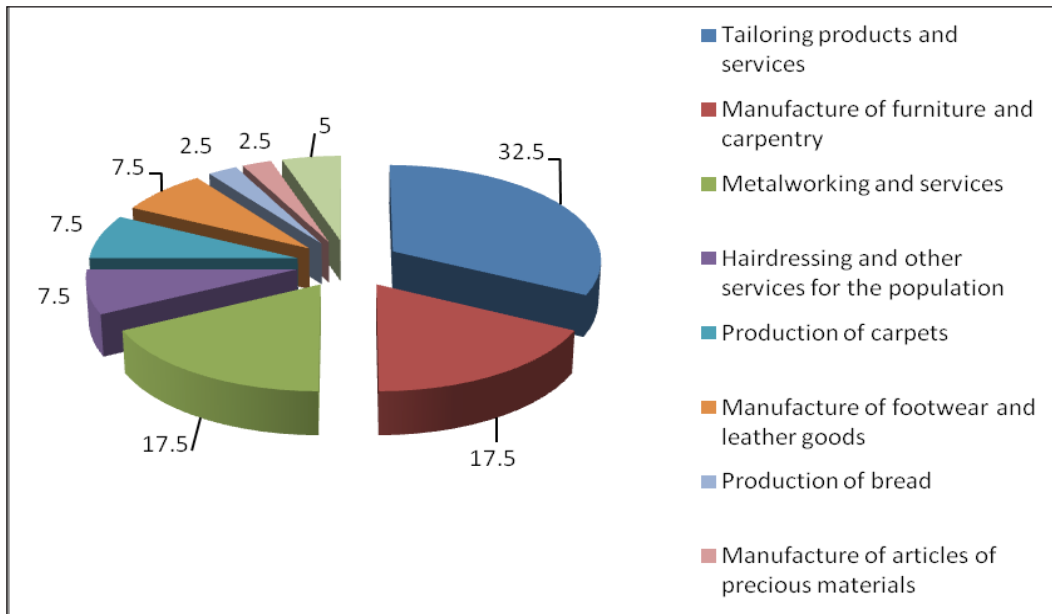


Fig. 1. Structure of the studied cooperatives based on activity

comment. In terms of state intervention in economic activity 16% of respondents chose not to comment, and for political - 12% of the chairmen.

On the question whether understanding exists towards cooperatives and readiness to provide assistance - negative attitudes prevail. In practice, only 24.13% of the respondents agree that there is a provision of assistance, and only 6.9% - fully agree that there is a real support. Negative views predominate with the WPCDP as well regardless of the existence of various state mechanisms for their support.

Local government bodies are not conducive to the development of cooperatives according to 86.4% of the chairmen of cooperatives. Only two respondents provided positive assessment. These responses reflect the existing problems in this area and disclose the acuteness of the problems of possible public-private partnerships particularly at local level.

At the same time 12% of the total respondents gave no answer to the question. This makes it difficult to establish

public-private partnerships and to provide social services to the local population. Moreover, there was no connection between the responses and the location of the cooperative - large or small town or village.

To the question "which external business factors hamper the activities of cooperatives", a relatively large number of respondents strongly agree that high direct and indirect taxes, low solvent demand, lack of markets and others are the main factors.

Evaluation of public administration as a factor limiting the activity of this type of organizational structures has led to dispersion of responses from complete disagreement to absolute agreement. 10% of the respondents totally disagree that the state administration may be an obstacle to the functioning of cooperative organizations and 35% share the opposite opinion. The greatest relative share - 30% of Chairmen have no opinion on the issue, whether public administration hinders the activities of cooperatives or not.

The question, how has the economic crisis affected the business of the

Table 1. Assessment of state policy towards cooperatives

Opinions and assessments	Fully disagree	Disagree partially	Without opinion	Agree partially	Fully agree	Total
Indifferent to cooperatives						
WPC	8.8	26.5	2.9	35.3	26.5	100
WPCDP			11.1	66.7	22.2	100
In many cases, prevents the development of cooperatives						
WPC	10.7	21.4	14.3	35.7	17.8	100
LWCD			25	75		100
State is indifferent to the activities of cooperatives						
WPC	29.6	22.2	25.9	18.5	3.7	100
WPCDP	25	25	25	25		100
There is political interference in the activities of cooperatives						
WPC	42.3	19.2	19.2	7.7	11.5	100
WPCDP	50		25	25		100
Understanding, willingness to cooperate is demonstrated and there is real support						
WPC	34.5	20.7	20.7	17.2	6.9	100
WPCDP	20	40		40		100

cooperatives has received more than 50 responses, because some respondents gave more than one answer (Figure 2). Most of the responses are associated with the fact that the value of net sales decreased from 50 to 100% and that cooperatives have limited their

spending on social activities. Only 2% of the cooperatives has restructured its production and maintained the value of its net sales revenues. None of the surveyed cooperatives has indicated growth in net sales revenue due to the economic crisis.

Table 2. Share of external business factors that hamper the activities of cooperatives, %

Opinions and assessments	Fully disagree	Disagree partially	Without opinion	Agree partially	Fully agree	Total
High direct taxes	14	7	4	18	57	100
Higher indirect taxes	4	4	-	19	73	100
Weak solvent demand	3	-	3	18	76	100
Lack of markets	-	6	6	30	58	100
Competitive conditions and the lack of equality between economic operators	7	7	4	27	55	100
State Administration	10	10	30	15	35	100

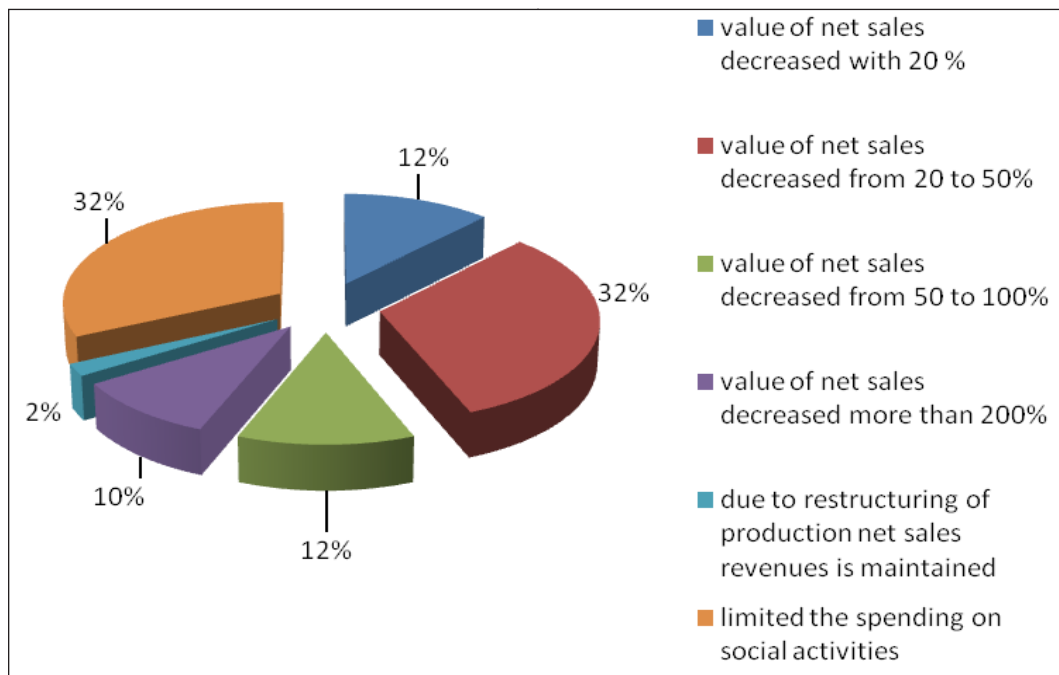


Fig. 2. Influence of the economic crisis on cooperative business activities, %

Large part of WPC (82.5%) carried out active partnerships with other companies (Figure 3), 35% of them had partnerships with foreign companies from EU, 15% with foreign companies from other countries, and 32, 5% - with Bulgarian companies.

A significant number of respondents (30%) consider that the production activity needs to be improved (Table 3).

Respondents believe that an improvement in marketing and in seeking new partners is needed - 28% of respondents indicated the need for this type of activity to be improved. 4 of surveyed cooperatives believe that it is necessary to improve sales and external logistics (7%) and 3 of them are of the opinion that there is a necessity to improve staff management (5%). Only 2% of the answers are concentrated on improving the supply activity and the activities related to internal logistics and service activities are not marked as needing an improvement.

In most of the cooperatives from the system of Worker Producers Cooperatives

impaired aging staff structure can be observed. Staff over 45 years of age prevails.

Data from the survey show that only 20% of WPC have a staff of between 18 and 34 years. Better is the situation in WPCDP, in 60% of them work staff aged under 35.

At the same time 44% of WPC and 70% of WPCDP employ people over 65 years of age. Their importance in cooperatives changes ranging from 2.38 percent in WPC "September" Targovishte up to 100% in WPC "Metal" Silistra. In the latter all workers have reached retirement age.

Large differences were observed in the relative shares of skilled workers - from 0.75% (WPC "Boyan CHONOS" Vidin) to 84.4% (WPC "Solidarity" Ruse). The cooperatives with 60 to 70% skilled workers prevail.

Data about the achieved wage rate show that the average salary is BGN 5 026. The lowest (BGN 2 275) is in WPC "Oborishte" Panagyurishte and the highest (BGN 8 425) is in WPC "Automotor" Varna. The first cooperative offers various services and the

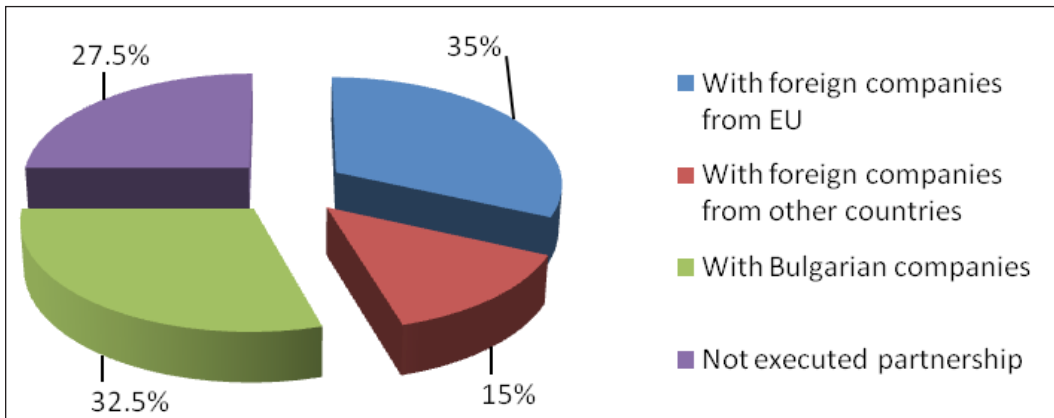


Fig. 3. Implementation of partnerships cooperatives, %

second - sales and cars and vans garage service. Both cooperatives are small, the cooperative in Panagyurishte employs 14 people and in Varna - 28.

The largest number of cooperatives have set an yearly labour remuneration in the range between BGN 4 000 and 5 000 and between BGN 5000 and 6000.

Only 48% of WPC declared extra payment for workers. Moreover, it is insignificant (up to 10%) in 62.5% of the cases. Additional remuneration over 20% is paid only in 4 cooperatives, the largest - 28.72% - received the members of cooperative "Anchialo 92" Pomorie.

The type and amount of allocated company funds varied among the different cooperatives. The majority of the cooperatives included in the survey - 54%, earmark such funds, while the rest did not respond to this question or specified that they do not allocate such funds.

Most often cooperatives set both an investment fund and a reserve one to various amounts and on different basis - income /profit/ equity. The majority (86%) from the WPC which allocate such funds operate on the basis of this principle.

A small number of cooperatives, which allocate funds /14%/ other than the Reserve Fund and Investment Fund set aside money for a dividend, for a Social and Cultural Events Fund and for an Education and Training Fund, which is evidence for the difficult financial and economic situation of cooperatives and for the fewer opportunities to conduct social activities. The lower amount put aside for the Social Fund - only 10% from the income provides further evidence, while 30% of the income / profit / is set aside for dividends.

Most often WPC allocate 20% of the income for the Reserve Fund and 10% for

Table 3. Relative share of operations and activities that need to be improved in the surveyed cooperatives, %

Activity	Structure	Activity	Structure
Supply activity	2	Marketing activity	28
Internal logistics	-	Service activity	-
Production activity	30	Staff management	5
Sales and external logistics	7	Looking for new partners	28

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Table 4. SWOT analysis of the cooperatives from the National Union of Worker Producers Cooperatives

Strengths	Weaknesses
<ul style="list-style-type: none"> • The National Union of LWC is a major employer for people with low incomes and disabilities; • The National Union of LWC is a well organized national three-tier system of labour cooperatives; • The National Union of LWC is an initiator for a number of changes in policies regarding cooperatives and cooperatives of people with disabilities; • Many of the produced in the LWC products and services are well known to Bulgarian users; • Positive experience at national level and at individual cooperative level for development and implementation of projects; • Well-developed international links of the National Union of LWC with national, European and international cooperative organizations; • A functioning and effective system for training and scientific advice; 	<ul style="list-style-type: none"> • Worsened economic and financial indicators of a significant part of the cooperatives; • Poor age and educational structures of cooperative members; • Insufficiently defined functions and responsibilities at National Union level and regional union level; • Increase in the unused property of part of the cooperatives; • Relatively low wage levels in some of the cooperatives; • Weaknesses in financial management; • Delay in the process of upgrading the technological basis of production; • Job cuts in some of the cooperatives; • Poorly developed links with local authorities at regional level;
Opportunities	Threats
<ul style="list-style-type: none"> • Development and implementation of marketing strategies; • Diversification of production; • Implementation and use of technology, market and other innovations using project finance from various national and European programs; • Improving financial management; • Establishment and participation in cluster and other network entities; • Increasing the qualification levels of managerial staff of cooperatives; • Establishment and (or) conversion of part of the cooperatives in cooperative social enterprises; • Participation in European cooperative societies. 	<ul style="list-style-type: none"> • Insufficient use of the production capacity of the cooperative; • Decapitalization of cooperatives; • Liquidation of cooperatives.

the Investment Fund. Such a distribution was observed in 25% of the cooperatives.

To develop the SWOT analysis the results of the study of documents and the survey and the self-assessment of the chairmen of cooperatives for the strengths and weaknesses of their enterprises are used.

The chairmen of the cooperatives that have identified some advantages most often

associate them with: teamwork, experience of the staff, market positions, flexibility and teamwork of the board, good production facilities for people with disabilities and others.

Along with these traditional responses it is worth mentioning the comments regarding the decision to use only social criteria, which are a prerequisite for creating obstacles for business development.

Based on the analysis of various aspects of business, organizational and financial situation, social action and international cooperation, the strengths and weaknesses of the cooperatives from the National Union of Worker Producers Cooperatives can be summarized as shown in Table 4.

On the basis of the presented estimates of the results of the survey it can be concluded that the government policy for the cooperative movement is defined as rather indifferent to cooperatives, at both national and local level. Economic crisis, unfavorable age and qualification structure of workers and low wage levels adversely affect the results of business activity of the cooperatives.

5. Strategic opportunities and trends

National Union of Worker Producers Cooperatives is undergoing a period of transformation. The aim is to accelerate the achieved economic and social progress in the future. At the same time this process will take place in conditions of stronger globalization, lack of resources and an aging population. All this requires rethinking of the future growth and development of long-term strategic direction and priorities for achieving sustainable economic development, high levels of employment and social security.

The strategic goal (mission) of the National Union of Worker Producers Cooperatives for its future development is the vision of a social EU market economy in the twenty-first century. It brings new challenges and priorities for the development of the cooperative system in the context the improvement and integration of the European values and its transformation into an object of social economy based on knowledge, innovation and sustainable growth.

In order to achieve these ambitious strategic goals the development process addresses the following interrelated priorities:

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- Further evidence of the democratic principles and norms in the functioning and management of the structural units of the system of cooperatives;
- Establishment of cooperative economic base, based on knowledge, innovation and investment;
- Expansion of the social role of cooperatives and improving their social infrastructure;
- Enhancement and strengthening of the international links in the system of National Union of Worker Producers Cooperatives and incorporation of cooperatives into European criteria and values;
- Education and training of personnel and improvement of the service for scientific advice of National Union of Worker Producers Cooperatives

The first priority for development of the cooperative system is improving the organizational activities of the National Union of Worker Producers Cooperatives through a further strengthening of democratic principles and norms in the functioning and management of the structural units of the system of cooperatives.

The main purpose of the organizational activities of the National Union of the Worker Producers Cooperatives is the reconstruction and development of cooperatives and their system through the creation of prerequisites for successful adaptation to European criteria and standards. In this respect, the improvement of membership relations within the system is the course to be followed in the development of cooperatives. National and regional unions of cooperatives should continue to work purposefully to improve the level of union discipline and responsibility among the heads of cooperatives as a prerequisite for the implementation of cooperative principles.

To address the different interests of working and non-working members of the cooperative it is appropriate for the General Assembly to adopt rules for executing the right to vote, depending on the type of participation. The latter means reducing

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the powers of non-employed members and limiting consumer share in the allocation of funds and profit.

The second major priority for the development of cooperative system is to build a cooperative economic base, based on knowledge, innovation and investment.

The main priority of the Union is to create conditions for the production of competitive products designed for local, European and world markets based on sound interrelation between information, investment, technological innovation and modern management, focused on strategic development.

It is the National Union and the cooperatives' priority to develop financial strategy and policy. This strategy should provide consistent and gradual achievement of financial balance between cooperatives and cooperative unions, resulting in increased profitability, liquidity, financial independence and financial stability. The implementation of this strategy involves the institutionalization of financial management activities by building departments, sections, working groups and differentiating their tasks from accounting.

Building an acceptable structure to finance activities through the appropriate combination of traditional and new sources of funding seems viable and thus the capital structure can be optimized. This can be facilitated by the implementation of changes in the structure of cash flows, introduction of methods for managing the investment process (planning, implementation and monitoring) and developing investment programs using modern methods and tools at different levels – cooperative, regional and national.

The issues related to the full and effective use of the property owned play an important role in the strategic programs of the cooperatives. These include reducing the rented out property, especially where production areas are provided for production activities identical to the core activity of

the cooperatives. It is necessary to include measures to minimize the idle property of the cooperatives.

Better management of assets of the cooperative can be achieved by joint use of property of cooperatives and/or other forms of small business based on complicity contracts for setting up joint ventures.

The main task is the introduction of marketing as a leading management function in the activities of cooperatives. It is advisable, depending on the sector, to develop strategies for the efficient organization of production and trade, providing high quality of end products and a competitive price.

The National Union of the Worker Producers Cooperatives is eligible to participate in programs funded by the European Union with projects aimed at developing human capital in order to ensure high levels of employment in the cooperatives, and providing training to meet the needs of the labor market.

A strategic course of action in marketing is to improve the work related to conducting national exhibitions of specialized enterprises and cooperatives for people with disabilities, focusing efforts on increasing the level and efficiency of the participation of cooperatives. It is advisable that the National Union of the Worker Producers Cooperatives explore the opportunities for building a cluster in apparel, furniture and other industries in order to create conditions for sustainable development of cooperatives, by joint actions in terms of innovation, products, technologies and markets.

The participation of cooperatives in regional cluster formations and forms of public-private partnerships with small and family businesses in rural areas and municipalities opens up great opportunities for their development.

Opportunities for further development are identified in the expansion of the cooperation and exchange of information between cooperatives and businesses,

both domestic and foreign, which leads to technical development and production of competitive products.

A major strategic priority for labor productive cooperatives is advertising. It should be expanded by providing active assistance in the publication of promotional materials of the cooperatives in the region.

The third strategic priority is related to enlarging the social role of cooperatives and improving their social infrastructure. Its implementation involves increasing the amount of investment in human resources in the system of the National Union. For further development and improvement of social activity in the system it is essential that regional unions of cooperatives and individual cooperatives assist medical centers in their regions for accreditation under the Law on Health and the methodology for accreditation of health structures.

It is advisable that long-term programs for health resorts, places for relaxation and rehabilitation of people with disabilities, for members of the labor productive cooperatives be developed and people are given access to such places in accordance with the diseases they have.

The reconstruction and modernization of the holiday homes of the joint stock company of the National Union of Worker Producers Cooperatives - "TURMEDIKO" Plc should continue by diversifying its funding sources.

Another major strategic policy of the National Union of Worker Producers Cooperatives is the participation in the National Council for Integration of Persons with Disabilities. By presenting specific proposals for legislative changes for the protection of the interests of people with disabilities the Advisory Council for Rehabilitation and the Union, together with the Worker Producers Cooperatives for Disabled People should organize regional meetings with representatives

of local and legislative power, and other structures and organizations involved in the problems of specialized cooperatives of people with disabilities.

The following strategic goals should be pursued:

- conducting training seminars for the management of labor productive cooperatives for disabled people in order to develop projects funded by the Agency for Persons with Disabilities.
- ensuring access for people with disabilities to their work places as well as maintaining them and refining and improving their rehabilitation.

The fourth priority is aimed at deepening and strengthening of international relations. The strategic goal of this activity of the National Union of the Worker Producers Cooperatives is its integration into the European structures and the European cooperative community. The processes of encouraging the cooperation and establishment of a sustainable partnership between Bulgarian cooperatives and similar European organizations are of high importance.

It is necessary to expand participation in international projects supporting integration through CECOP – CICOPA Europe (European confederation of industrial and service cooperatives) and other international cooperative structures, together with other Central and Eastern European countries.

Another trend is the establishment of contacts with representatives of leading European organizations for people with disabilities by seeking opportunities to support labor productive cooperatives for disabled people through participation in European social programs.

Achieving the Union's goals in international cooperation requires diversification, expansion of bilateral forms of cooperation with national unions, both within the EU and beyond. In this respect it is necessary to continue to work on establishment of the National Union

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of the Worker Producers Cooperatives as a regional center for supporting the establishment and development of similar cooperative structures in neighboring Balkan countries.

The fifth priority is improving education and training of personnel and improvement of scientific advice to the National Union of the Worker Producers Cooperatives.

A significant contribution for the realization of this priority is the improvement of the functioning of the Training Center for education and scientific services. It is advisable to improve the network of units for training of personnel in the system of the National Union of the Worker Producers Cooperatives in order to expand the number of qualified people and to update the content of the programs. Thus, through providing training in specific regions it is possible to accelerate the adaptation of the training organization to the specific needs of personnel in the system of the Union and at the same time outlining the prospects for the development of labor productive cooperatives.

Improvement of scientific advice to labor productive cooperatives is possible by expanding the staff and improving the organization for using research teams working on themes of the National Union of the Worker Producers Cooperatives. In this respect it is necessary to update the themes for the direct scientific service of individual cooperatives, and to expand the scientific cooperation with similar scientific research units in EU countries.

Another major trend is the organization of training seminars for cooperatives staff to inform them about the specificity of European programs and to give them the opportunity to acquire knowledge for developing their own projects.

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